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*Michigan Department of Education, and Washtenaw Intermediate School District,
Michael O. Emlaw, superintendent of MI.*

Remarks to the American Business Conference

April 7, 1992

Thank you, Jim, very, very much. Thank you all, and I'm just delighted to be back with you. And Jim Jones, thank you, sir, for the introduction, for your leadership not just of this wonderful organization but of the exchange and for everything else you do for this economy.

Some people think I've been traveling a little too much so today, as an example of my new policy, no trips further than one block away from the White House. [*Laughter*]

It is a pleasure to be with you. I'm delighted to have been accompanied by Barbara Franklin, who many of you saw coming in, I think, our new Secretary of Commerce in whom I have great confidence, Barbara. And she and I both agree that she has large shoes to fill over there at Commerce with one of your originators, one of your founders, my dear, close friend Bob Mosbacher, sitting in the back, back here. What a job he did for his country as Secretary.

But let me just say it is always a pleasure to speak with the members of the ABC, the American Business Conference, because it's a pleasure to speak with the best, people that get things done. And I'd like to talk to you today about the future, the future of our country generally, and more particularly, the future of our country's business environment. In fact, we cannot separate the two. The America of the 21st century—Jim talked about some of the aspects of this, what ABC's about, its ability to make peace in the world, but to foster strong families, to create rewarding jobs—will be shaped today, in large part, by how hospitable we make America for business.

We can learn from your achievement. The key to the success of any high-growth company is the wise deployment of resources. The successful company channels labor and investment into those areas with the potential for the greatest expansion, for the high-

est return. And you take the risk; you reap the reward; everyone, meanwhile, benefits from the wealth you create. And that, in brief, is the genius of entrepreneurial capitalism, a system that has made America the envy of the world.

For 200 years our prosperity has sprung from our ability to innovate, to create, to change as the world changes. But America's world leadership is not automatic; it's not a birthright. We must continue to earn it day by day, quarter by quarter, year by year. And the world now is changing at a pace that no one could have dreamed of just a generation ago. And America, which has led the world's transformation, simply must change with it.

Over the last several years, deadweights have begun to slow the engine of growth, inefficiencies a competitive economy simply cannot tolerate. And today I want to discuss five areas of reform, five critical ways in which America must change if we are to continue to lead the world. You understand the urgency, for each of these problems presents itself to American companies not as an abstraction but in the most immediate way, as a cost of doing business, a cost you can't control, an expenditure with no possible return.

When our legal system becomes incapable of resolving disputes in a timely and civil manner, business loses the incentive to innovate and take risks. Secondly, when health care costs escalate, business picks up much of the tab. When Government imposes barriers to trade, business pays the price in opportunities lost. When our children leave school without rudimentary skills, business bears the burden in lowered productivity. And when Government freezes in gridlock, business can no longer plan rationally for the future.

Let me begin with the crying need to

reform our country's civil justice system. Every American has heard stories of bizarre or frivolous lawsuits. But most of you have lived with them, tales that could have been torn from the pages of Kafka. Consider one example related by one of your members, Roger Coleman, president of Rykoff-Sexton, a food manufacturer and distributor.

After record earnings in 1989, Mr. Coleman publicly expressed his confidence that 1990 would be even better. And when earnings fell short, his hopeful statement became the cause of a shareholder class-action lawsuit. First, in a meeting with plaintiffs' contingency-fee lawyers, at which the merits of the case were never even discussed, the issue, says Mr. Coleman, was "the depths of our pockets." And next came the nightmare of discovery, endlessly expensive and invasive. The company's managers, instead of managing, spent their time preparing for depositions. The lawsuit, he says, "brought everything to a stop." In the end, rather than permit the total exhaustion of company resources, Mr. Coleman decided to settle. And the tab for this exercise in futility, \$8.7 million. And as he says, "That's over \$8.7 million that was diverted from new investments in jobs and facilities."

The scenario is repeated daily throughout American business. And it is not repeated, let me stress, among our world competitors. Only the United States has seen the number of lawyers double over a 20-year period. And only the United States spends more than \$80 billion annually in direct litigation costs, perhaps 4 times that in indirect costs. According to a recent survey, 40 percent of companies that had been the target of product liability suits have discontinued certain types of product research.

We must remove this ball and chain from our ability to produce, our ability to compete worldwide. And my Competitiveness Council, led by the Vice President, has offered 50 recommendations for legal reform. They would limit discovery to reasonable proportions, discourage some frivolous suits through a "loser pay" rule, and offer alternative means of resolving disputes.

This broad legal reform will not be easy. Just look at the fight that we've had on product liability reform. We introduced a reform bill in 1990 and again in 1991. And

the Senate opposition, the majority in the Senate refused to bring it to a vote. And in the House it's stuck in two committees. The special interests are lining up against legal reform, and we could certainly use your help in moving it forward. We must reform the legal system of this country.

If we are successful, the effects will be far-reaching, extending into another area critically in need of change. Medical malpractice premiums almost doubled in the second half of the eighties. Doctors are practicing defensive medicine, ordering an estimated \$20 billion a year in unnecessary tests and procedures to protect against frivolous lawsuits.

The trends in health care costs are simply unsustainable. From less than 6 percent 30 years ago, total health care expenditures are today about 13 percent of GDP. Some mid-range estimates put that figure at 30 percent by the year 2030. That's 30 cents of every dollar of national income spent on health care. Right now, according to one Federal study, American corporations already spend more on health care each year than they earn in aftertax profits.

We must reform the system, but we face a crossroad. Some have advocated nationalized care; others propose the so-called "pay or play" approach, which I am convinced is merely a step on the road to nationalized care. Neither is acceptable. Neither will preserve the quality of our country's health care, which remains the best in the entire world. And I will not let that high quality be taken away from the American people through some scheme of Government control.

Nationalized care means rationed care. Its promise of cost containment is a mirage. "Pay or play" would dump still more mandates on business. For employers, a 9-percent payroll tax would mean a 34-percent increase in health insurance costs. And that money has got to come from somewhere. And for a company unable to pass along the added costs through higher prices, that means decreased investment; it means lower wages; it means fewer jobs.

There is an alternative, a good one. And my proposed health care reform will build on the strengths of the existing system, pre-

serving the quality of American care. We will increase consumer choice. And through transferable credits, we will assure access to basic health insurance for the uninsured and control costs through market incentives. And we will not have to raise taxes in the process, raise taxes on the employers.

I've targeted a third area for attention, like the others, absolutely critical to our success in the coming decades. You understand that for America to succeed economically at home we must succeed economically abroad. The fastest growing companies among your group, the ones creating the greatest number of jobs here at home, are those with far-reaching involvement in foreign markets.

I am committed to opening markets to American goods and services, removing the Government-imposed barriers that act as a hidden tax on American business. Each market shut off by protection is a lost opportunity to sell your products. A successful conclusion to the current Uruguay round of trade negotiations, for instance, could increase world output by \$5 trillion over the next decade. More than \$1 trillion of that boom will go to the United States, creating a higher standard of living and, yes, more jobs for Americans.

And then, even closer to home, an area where Bob Mosbacher did so much and now Barbara Franklin has taken up the cause: exports to Mexico. They have more than doubled over the last years, creating more than 300,000 American jobs. Now, our North American free trade agreement, Mexico, Canada, and the U.S., will lock in and even multiply these gains, creating a \$6 trillion market for American products in Canada, Mexico, and the U.S.A.

As world trade expands, the need for a sophisticated, well-educated work force will intensify. And yet the fact is grim and undeniable, and Jim referred to this one in introducing me, our current educational system is unable to produce the workers the highly competitive world market demands.

Our educational failures have hit American employees hard. English is now the language of international business, and yet only 20 percent of 17-year-olds can write a simple two-paragraph letter applying for a job. The situation in geography, math,

science is equally dire. Too many businesses are forced to pay twice for the education of prospective employees, once through taxes that support our schools and again through job training to remedy the failures of those schools in educating our young.

Communities have begun taking matters into their own hands, with local businesses often acting as catalysts. ABC's Vital Link, which works with local schools to establish learning incentives for students, is a perfect example of the community-based efforts that our children need.

And still, there is much for the Government to do. This year seven different Federal agencies will spend \$18 billion on a patchwork of 60 mandated vocational training programs. Is it any wonder that so many Americans who seek training don't know how to get it? Now, working with State and local governments, we've got a new program: our Job Training 2000 initiative, we call it. And that will bring coherence to these programs and try to offer "one-stop shopping" to aspiring workers. Job Training 2000 perfectly complements the revolution now taking place in American education as a whole.

And through this, I hope you've heard of it, our America 2000 initiative, we will reinvent, literally reinvent our schools. Your chairman, Jim Jones, is a leader in what we call the New American Schools Development Corporation. It's a private group created at my request to launch an entire generation of break-the-mold new American schools.

This revolution is essential to creating a world-class work force. Now to do that, we need to set world-class standards for students and create a system of voluntary national tests to measure their progress. We've got to redouble our efforts to rid our schools of drugs and violence, to cleanse America of this scourge that wastes so many young lives. And we must make schools more accountable by forcing them to compete. And that means giving parents the opportunity to choose their children's schools, public, private, or religious.

I am convinced that each of these major reforms, restoring sanity to our legal system, ensuring quality health care for all,

expanding world trade, reinventing American education, is essential to this country's productivity. But each faces powerful opposition from special interests who profit from the status quo. And so, I've targeted a final reform, no less important than the others. If America is to change, our Government must change.

And last week in Philadelphia I presented seven specific programs, proposals really, to deal with the paralysis that grips the Congress. And the results of this gridlock are dismally plain. Congress was incapable even of passing a short-term stimulative economic growth package. But they must understand I am going to continue to fight for measures essential to economic growth, and that includes something you know something about, a lot about, including a cut in the tax on capital gains.

And you have sitting here today a leader that knows something about the success of a capital gains cut, Jim Jones. Because if my memory serves me correctly, it was the Jones-Stieger initiative in '78 that showed what can happen in the way of new investment, entrepreneurship, when a capital gains tax cut was enacted.

The American people, and I can understand this, are rightly fed up with business as usual, a deficit that is a fiscal and a moral outrage, a permanent governing class oblivious to the national interest, and hundreds of self-perpetuating programs that don't even aid the people they were designed to help. Now, I refuse to believe that this is the legacy we'll leave our kids. But it will be if we don't reform. I'm talking here about perks. I'm talking about the gym-

nasium. I'm talking about fundamental reform of the United States Congress.

The reforms that I've outlined here today are grounded in basic principles, a way of looking at the world. As Jefferson said, "The pillars of our prosperity are the most thriving when left most free to individual enterprise." In practice, that means Government must trust the wisdom of the markets more than the whims of the bureaucrats. The freely made decisions of business men and women must take precedence over the engineering schemes of Government. And all of our institutions, from the Congress to the local school board, must be accountable to those that they serve.

Over the last decade, America has changed the world. Given what's happening out there in this election year, we sometimes fail to count our blessings. There have been fundamental changes in this world, changes for world peace. And today we are blessed with those changes, and we are also blessed with the opportunity now to change America. With these principles that I've outlined here as our guide, I am absolutely convinced we will meet the challenges and exploit the opportunities of the world that is now being born.

Thank you all very much for what you do. And may God bless our country. Thank you all.

Note: The President spoke at 2:11 p.m. at the Willard Hotel. In his remarks, he referred to James R. Jones, chairman of the American Business Conference and chairman of the American Stock Exchange.

Message to the Congress on the Release of Funds for Peacekeeping Purposes in El Salvador

April 7, 1992

To the Congress of the United States:

Section 531 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991 (Public Law 101-513), provides that amounts in the Demobilization and Transition Fund established for peace-

keeping purposes by that Act shall be made available for obligation and expenditure only upon notification by the President to the Congress that the Government of El Salvador and representatives of the Farabundo Marti Liberation Front (FMLN) have